

## Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 TRSE-00 SS-15 AID-05 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 ICA-11 XMB-02  
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APPROVED BY EB/OT/STA:J S SPIRO  
EUR/CAN:G J MONROE  
EB/ITP:W BARRACLOUGH  
D:J SPIEGEL  
TREASURY:R SELF  
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FM SECSTATE WASHDC  
TO AMEMBASSY OTTAWA PRIORITY

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TAGS: ETRD, CA

SUBJECT: U.S.-CANADIAN CONSULTATIONS ON TREASURY  
INVESTIGATION INTO CANADIAN SUBSIDIZATION OF GROUND FISH  
APRIL 27, 1978

REFS: A) STATE A-0387 DATED FEBRUARY 2, 1978 AND  
B) 77 STATE 80903

1. A CANADIAN DELEGATION, LED BY CANADIAN EMBASSY  
COMMERCIAL MINISTER COUNSELOR, ANTHONY HALLIDAY MET ON  
APRIL 27 WITH RICHARD SELF, DIRECTOR, OFFICE OF TARIFF  
AFFAIRS, AND OFFICIALS FROM TREASURY, STATE AND U.S.  
CUSTOMS, TO DISCUSS THE U.S. TREASURY DEPARTMENT'S  
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INVESTIGATION INTO CANADIAN GROUND FISH SUBSIDIES.  
ATTENDING FROM OTTAWA WERE MR. G. FERGUSON, REGIONAL  
ECONOMIC EXPANSION; MR. R. HOWARD, EXTERNAL AFFAIRS;  
MR. P. SOMMERVILLE, FINANCE; MR. M. VILLENEUVE, INDUSTRY;  
MR. E. LORD, FISHERIES AND ENVIRONMENT. THE MEETING  
PERMITTED A CLARIFICATION OF CANADIAN PROGRAMS AND PROVIDED  
THE CANADIAN DELEGATION WITH A BETTER APPRECIATION OF THE  
ELEMENTS OF TREASURY'S INVESTIGATION.

2. MR. SELF BEGAN THE CONSULTATION BY EXPRESSING HIS

UNDERSTANDING OF THE IMPORTANCE OF THE CASE TO THE CANADIAN

GOVERNMENT. HALLIDAY RESPONDED THAT BECAUSE OF THE SENSITIVITY OF THE CASE IN CANADA, PARTICULARLY SINCE IT COVERED A WHOLE INDUSTRY, THE GOC HOPED TO HOLD POLICY LEVEL CONSULTATIONS TO FOLLOW-UP THE TECHNICAL MEETING.

3. PRIOR TO DISCUSSING THE MAJOR CANADIAN PROGRAMS SUBJECT TO THE INVESTIGATION, SELF NOTED THAT THE U.S. PETITIONER HAD FILED A SUPPLEMENTAL LIST OF GROUND FISH NOT COVERED BY THE ORIGINAL PETITION BUT THAT TRADE IN SUCH SPECIES WAS UNDER 95,000 DOLLARS. SELF SAID THOSE SPECIES WOULD BE INCLUDED IN THE FINAL DETERMINATION IN JUNE SINCE THE SAME CANADIAN ASSISTANCE PROGRAMS WERE INVOLVED. ALLEGATIONS HAD ALSO BEEN MADE REGARDING SHELLFISH BUT SELF SAID THEY WOULD BE DEALT WITH SEPARATELY BECAUSE THEY WERE NOT COVERED UNDER THE SAME PROGRAMS.

4. THE SUBSTANCE OF THE DISCUSSION THE THREE CANADIAN PROGRAMS TREATED IN THE FEDERAL REGISTER NOTICE OF JANUARY 23 (SEE REF AIRGRAM) WAS AS FOLLOWS:

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A. GROUND FISH TEMPORARY ASSISTANCE PROGRAM (GTAP)--THE CANADIAN SIDE STATED THAT IN THE PAST FISCAL YEAR APRIL 1, 1977-MARCH 21, 1978 THERE HAD BEEN NO GRANTS TO FISH PROCESSORS AND IT WAS ALMOST CERTAIN THAT TEMPORARY AID TO FISH PROCESSORS WOULD NOT BE RENEWED. MINISTER HALLIDAY AGREED TO PROVIDE SELF WITH A CONFIDENTIAL LETTER TO THIS EFFECT. THE CANADIANS NOTED, HOWEVER, THAT THE PART OF THE PROGRAM WHICH PROVIDED DEFICIENCY PAYMENTS TO FISHING BOAT OWNERS OF UP TO TWO CANADIAN CENTS PER POUND FOR GROUND FISH WAS STILL IN EFFECT. (THE PAYMENTS ARE 1.5 CENTS PER POUND FOR SECOND GRADE FISH.) WHILE INITIALLY IT APPEARED THAT THE TREASURY WOULD DETERMINE THE BOUNTY OR GRANT ON THE PAYMENTS TO FISHERMEN AT ROUGHLY TWO CENTS PER POUND LESS SOMETHING FOR BY-PRODUCTS, SELF EXPLAINED THAT ON THE BASIS OF THE RECOGNIZED RATIO OF 3-1 BETWEEN LANDED FISH AND FILETS, THE PRODUCT EXPORTED TO THE U.S., THE BOUNTY WOULD ACTUALLY BE CLOSER TO SIX CENTS PER POUND.

B. FISHING VESSEL SUBSIDY--MR. SELF EXPLAINED THAT IN THE EARLIER CASE IN WHICH THERE HAD BEEN A WAIVER (SEE REFTEL B) TREASURY HAD FOUND AN AD VALOREM BOUNTY OF .48 PERCENT PER POUND OF GROUND FISH. WHILE SELF BELIEVED THE BOUNTY FOUND IN THE PRESENT INVESTIGATION WOULD BE ABOUT THE SAME AS THAT FOUND EARLIER, HE INVITED THE CANADIANS TO SUPPLY ANY ADDITIONAL INFORMATION THEY

BELIEVED WOULD BE RELEVANT. IN RESPONSE TO QUESTIONING

SELF SAID THAT THE CALCULATION OF THE VESSEL SUBSIDY WOULD BE SPREAD OVER THE ENTIRE CANADIAN GROUND FISH CATCH. THE GOC WILL PROVIDE THE MOST RECENT CATCH DATA.

C. GRANTS PROVIDED TO THE NEWFOUNDLAND FISHING INDUSTRY BY THE DEPARTMENT OF REGIONAL ECONOMIC ASSISTANCE--THE CANADIAN DELEGATION EXPLAINED THAT THE PROGRAM INVOLVED FEDERAL AND PROVINCIAL GRANTS FOR THE INITIAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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INSTALLATION BUT NOT THE OPERATION OF 1) MARINE SERVICE CENTERS FOR BOAT STORAGE AND REPAIR AND 2) THE DEVELOPMENT OF FRESH WATER FACILITIES FOR FISHING VILLAGES AND FISH PROCESSING PLANTS IN THE PROXIMITY OF THE VILLAGES. SELF INDICATED THAT WHILE TREASURY WOULD HAVE TO FURTHER CONSIDER THE MARINE SERVICE CENTERS BECAUSE OF THEIR CLOSE RELATION WITH THE FISHING INDUSTRY, THE PROVISION OF FRESH WATER TO VILLAGES REFLECTS NORMAL INFRASTRUCTURAL SERVICES GOVERNMENTS ORDINARILY PROVIDE RATHER THAN SUBSIDIZATION OF EXPORTS.

5. MR. SELF SAID THAT IN ADDITION TO THE ABOVE PROGRAMS, THE NEW ENGLAND PETITIONERS HAD CITED IN A DECEMBER SUBMISSION TO TREASURY OTHER POSSIBLE CANADIAN SUBSIDY PROGRAMS TO THE GROUND FISH INDUSTRY: A) PREFERENTIAL LOANS FROM THE NEW BRUNSWICK DEVELOPMENT CORPORATION, B) A NEW BRUNSWICK FISHERMAN'S LOAN ACT FOR CONSTRUCTION, REPAIR AND PURCHASE OF VESSELS AND C) A NOVA SCOTIA FISHERMAN LOAN PROGRAM SIMILAR TO THE NEW BRUNSWICK PROGRAM. THE PROGRAMS APPEARED TO BE SMALL WITH THE NEW BRUNSWICK PREFERENTIAL LOANS ALLEGEDLY ACCOUNTING FOR 12 MILLION DOLLARS IN 1974-75, THE FISHERMAN LOAN ACT 4 MILLION DOLLARS PER YEAR THROUGH 1977 AND THE NOVA SCOTIA PROGRAM 1.5 MILLION DOLLARS PER YEAR.

6. MINISTER HALLIDAY EXPRESSED CONCERN AT TREASURY'S ENLARGING THE INVESTIGATION ON THE BASIS OF A STUDY PROVIDED BY THE NEW ENGLAND PETITIONER. HE SAID HE WOULD, NEVERTHELESS, RECOMMEND THAT OTTAWA PROVIDE TREASURY WITH INFORMATION ON THE THREE PROVINCIAL PROGRAMS. SELF SAID THAT BECAUSE THESE PROGRAMS WERE NOT A PART OF THE JUNE 8 PETITION, BUT WERE INCLUDED IN THE DECEMBER 28 FILING BY THE NEW ENGLAND GROUP, A FINAL DECISION REGARDING THEM LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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WOULD NOT BE REQUIRED UNDER TREASURY PROCEDURE ON JUNE 10

AT THE TIME THE FINAL DETERMINATION IS DUE FOR THE ORIGINAL PETITION. SELF SAID THE INVESTIGATION ON PROVINCIAL PROGRAMS COULD TECHNICALLY LAST A FULL YEAR, I.E., UNTIL DECEMBER 1978. HE URGED THAT THE INFORMATION BE SUPPLIED BEFORE JUNE IN ORDER TO RESOLVE THE FISH COUNTERVAIL MATTER ONCE AND FOR ALL. CANADIANS AGREED

THIS WAS THE BEST WAY TO PROCEED AND SAID THEY WOULD WORK TO DEVELOP INFORMATION.

7. COMMENT: WE ASSUME THAT AT THE POLICY LEVEL MEETING THE GOC WOULD WISH TO DISCUSS POSSIBILITIES OF A WAIVER UNDER SECTION 331(D)(2) OF THE TRADE ACT OF 1974. WHAT WE ARE LIKELY TO BE DEALING WITH REGARDING WAIVER POSSIBILITIES IS A SUBSIDY OF SIX CENTS PER POUND ON IMPORTS OF CANADIAN GROUND FISH THAT CURRENTLY COST AROUND 75 CENTS PER POUND, A SUBSIDY OF APPROXIMATELY .5 PERCENT ON FISHING VESSELS AND PERHAPS A FEW VERY INSIGNIFICANT SUBSIDIES WHOSE TOTAL IS LIKELY TO BE FAR BELOW .5 PERCENT. WITHOUT KNOWING WHAT CANADA WILL PROPOSE IN THE WAY OF A WAIVER, WE URGE EMBASSY TO ADVISE THAT TOTAL PHASE OUT OR IMMEDIATE ELIMINATION OF GTAP TO FISHERMEN IS THE MOST LIKELY BASIS FOR GRANTING THE WAIVER. THIS IS THE BASIS UPON WHICH WAIVER WAS GRANTED IN APRIL 1977 IN THE PREVIOUS INVESTIGATION. CHRISTOPHER

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## Message Attributes

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